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IN THE

Supreme Court of the United States

OCTOBER TERM, 1945

NO. [redacted] 28

ALPINE MacGREGOR, Petitioner,

v.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY, a Corporation, Respondent.

REPLY MEMORANDUM OF ALPINE MacGREGOR ON HIS PETITION FOR WRIT OF CERTIORARI.

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This is the second petition for writ of certiorari to the Supreme Court of the State of Pennsylvania, the first petition having been filed on the 19th day of August, 1944, which was denied on October 23, 1944. Respondent in opposing the first petition successfully argued that this Court lacked jurisdiction for want of a final judgment, and this Court, in denying said petition, stated that it was denied *"for want of a final judgment"*. At that stage of the proceedings the Court below had ordered an accounting and the judgment was therefore interlocutory and not a final one.

The present petition is filed to seek this Court's review of a *final judgment* of the Supreme Court of Pennsylvania following an accounting, and the sole question of jurisdiction now to be considered is whether this Court may review a final judgment of the highest court of a state under Judicial Code 237(b), as amended, 28

U.S.C.A. 344, where a federal question is involved. The cases cited by petitioner, p. 13 of its main brief, are believed to sustain the jurisdiction because the Supreme Court of the State of Pennsylvania has decided a federal question, namely, the legality of a patent royalty license agreement containing price fixing provisions under the Anti-trust Laws, which decision is in conflict with this Court's decision in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U.S. 173.

Respondent in its brief has cited numerous cases to show that this Court lacks jurisdiction in the instant case which are not deemed pertinent because they do not involve federal questions.

The decision herein sought to be reviewed is not only in conflict with this Court's decision in the *Sola* case, but is also in conflict with the decision of the Seventh Circuit Court of Appeals in *Chicago Metallic Manufacturing Co. v. Katzinger Co.*, 139 F. 2d 291. As pointed out in our main brief, p. 22, in that case the Circuit Court of Appeals for the Seventh Circuit held that any patent royalty contract containing a price fixing provision is illegal unless supported by a valid patent, and that a licensee may attack the validity of the patent irrespective of whether or not the licensor is attempting to enforce the price fixing provisions. *Palmer v. Clay Products Co. v. Brown*, 297 U.S. 227, is authority that this Court may review a decision of the highest court of a state where such is in conflict with the decision of a circuit court of appeals upon federal law. This and other cases relied upon to sustain the jurisdiction, p. 13 of our main brief, clearly dispose of any dispute on the question of jurisdiction of this Court to review the instant case.

Respondent's contention that no federal question is involved is based on the argument that the price fixing provision of the license agreement is not in issue, or may be stricken by the application of the so-called "Blue Pencil Rule" and for that reason a state court may enforce the estoppel against an attack of validity of the licensed patent. Respondent admits that there may be an exception to the rule of estoppel in *federal courts* under this Court's decision in the *Sola* case. Respondent states on page 8 of its brief:

> "An exception to the rule in federal courts that a licensee is estopped to attack validity of the licensed patent may arise under the decision of this Court in *Sola Electric Company v. Jefferson Electric Co.*, 317 U.S. 173, 63 S. Ct. 172."

Respondent then states, top of page 9 of its brief:

> "We take it to be obvious that a decision of this Court does not and could not remove any estoppel arising under *local law* except such as would permit violation or prevent enforcement of a federal law."

Thus respondent attempts to distinguish the *Sola* case as meaning one thing in the federal courts and something else in a state court. It is petitioner's contention that the enforcement of the estoppel by the Supreme Court of Pennsylvania does permit violation of the anti-trust laws in that it enforces an illegal contract providing for price fixing under an invalid patent in violation of the Sherman Act.

In the *Sola* case this Court said:

> "It is familiar doctrine that the prohibition of a federal statute may not be set at naught, or its benefits denied, by state statutes or state common

law rules. * * * When a federal statute condemns an act as unlawful the extent and nature of the legal consequences of the condemnation, though left by the statute to judicial determination, are nevertheless federal questions, the answers to which are to be derived from the statute and the federal policy which it has adopted. To the federal statute and policy, conflicting state law and policy must yield. * * *

"The federal courts have been consistent in holding that local rules of estoppel will not be permitted to thwart the purposes of statutes of the United States.

* * * * * * *

"Local rules of estoppel which would fasten upon the public as well as the petitioner the burden of an agreement in violation of the Sherman Act must yield to the Act's declaration that such agreements are unlawful, and to the public policy of the Act which in the public interest precludes the enforcement of such unlawful agreements."

Respondent's attempted distinction as to the application of the *Sola* case to federal courts and state courts is directly opposed to the above-quoted statements by this Court that local laws and rules of estoppel cannot fasten upon the petitioner the burden of an agreement in violation of the Sherman Act.

Respectfully submitted,

WILLIAM B. JASPERT,
Counsel for Petitioner.